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1946 OUTLOOK ISSUE

THE Tobacco SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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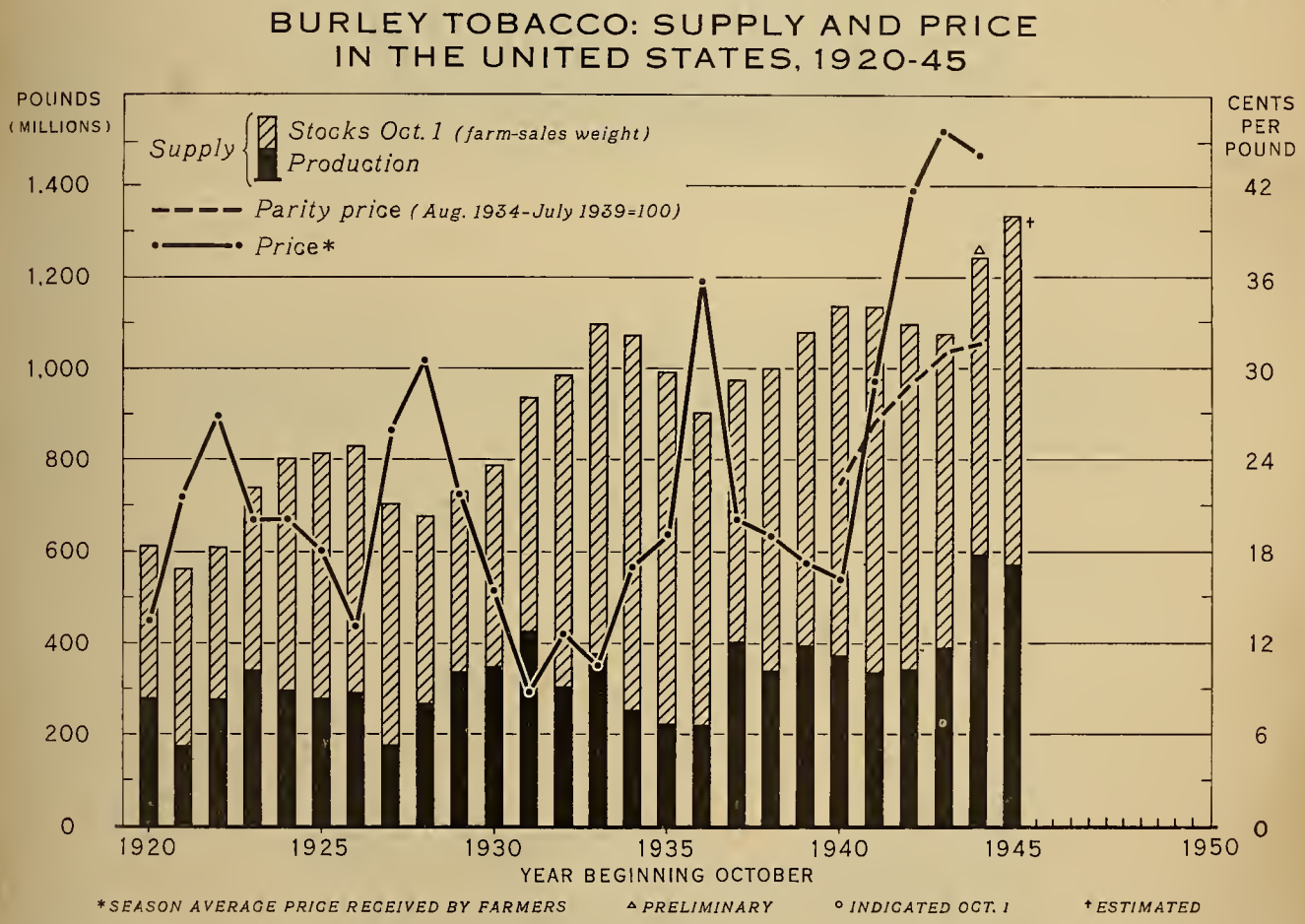

U. S. DEPARTMENT OF AGRICULTURE NEG. 26619 BUREAU OF AGRICULTURAL ECONOMICS

In view of the prospective continued high level of domestic cigarette consumption and the relatively low level of stocks of other cigarette types of tobacco, the outlook for burley is reasonably favorable. Burley, however, is probably in a less favorable position than flue-cured, inasmuch as very little burley is exported and the supply is larger in relation to prospective requirements. With the large 1945 crop, and the large carryover from last season, the 1945-46 supply is more than 1,300 million pounds, the largest on record. Disappearance, largely through domestic usage, reached an all-time peak of about 480 million pounds in 1944-45. Burley prices are expected to be relatively high again in 1945-46 season.

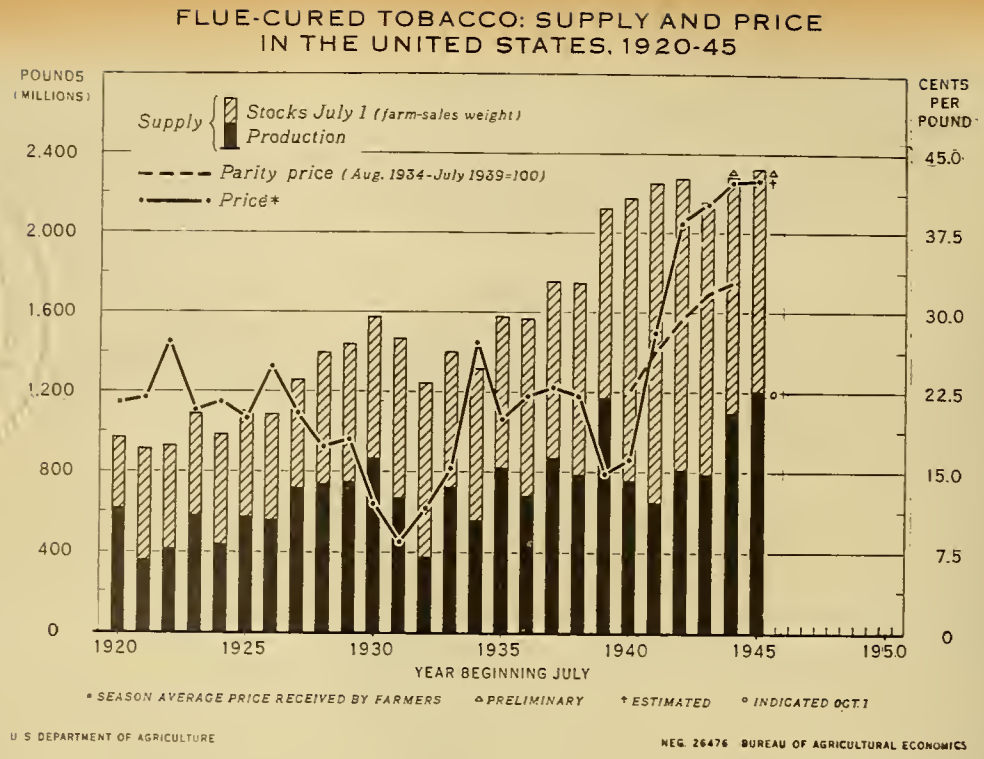

FIGURE 1.

The outlook for flue-cured tobacco during 1946-47 is favorable to growers, in view of the prospective high level of domestic consumption and exports. Current stocks are above most prewar years, but low in relation to the current rate of disappearance. Stocks were reduced last season for the fourth consecutive year, but the large 1945 crop resulted in a slight increase in the 1945-46 supply. Average prices paid growers for the 1945 crop may top all peaks back to 1919.

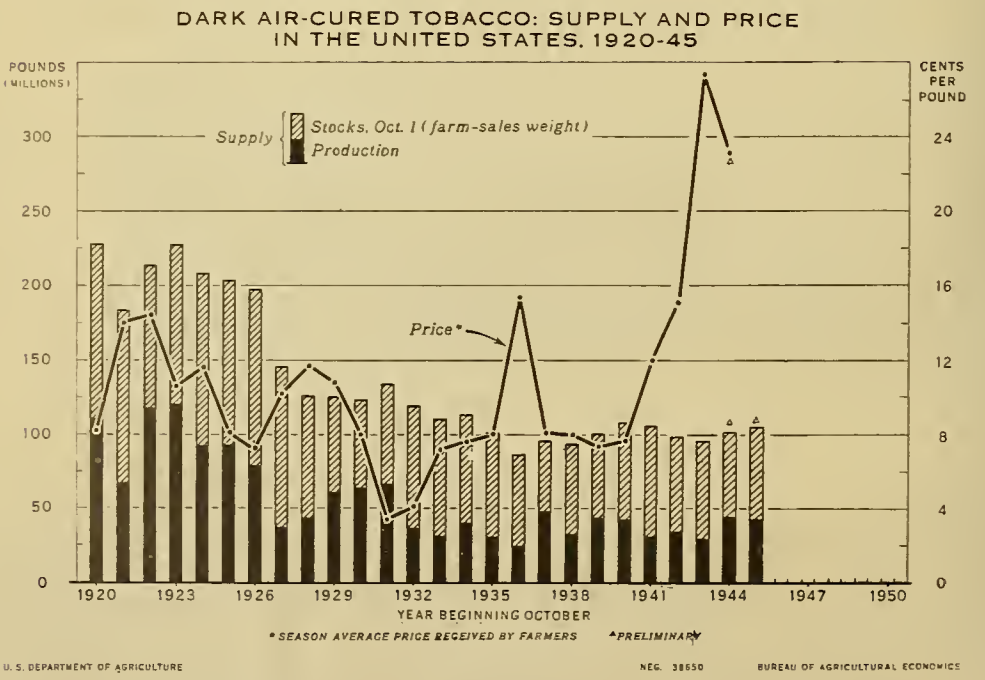

FIGURE 2.

The outlook for dark air-cured tobacco during the next year or so is reasonably favorable, inasmuch as production in recent years has been in line with disappearance, and stocks are normal in relation to prospective requirements. The estimated 1945-46 season supply is slightly larger than last season, but about the same as the average for the war years 1939-45. Disappearance of dark air-cured has remained remarkably stable in recent years. The decline in exports has been offset by an increase in domestic consumption. Exports are at a low level and are not expected to increase to any great extent in 1945-46.

FIRE-CURED TOBACCO: SUPPLY AND PRICE IN THE UNITED STATES, 1920-45

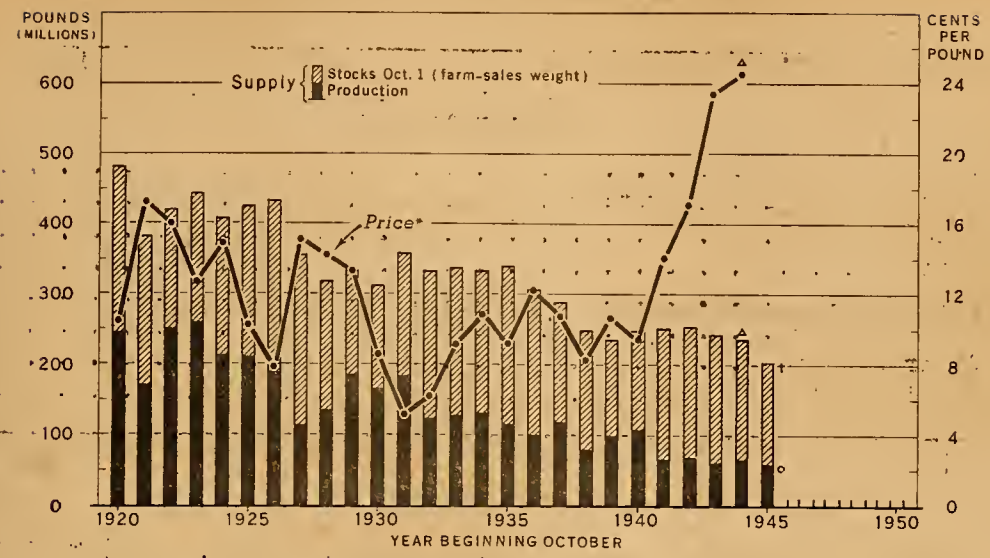

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FIGURE 3.

Production of fire-cured tobacco in 1945 is expected to total only about 58 million pounds, the smallest crop in many years. The short crop and a substantial decrease in stocks resulted in a further reduction in the supply this season as compared with previous years. Prices of fire-cured have advanced sharply since 1940, but the increase has not resulted in greater production, even though there have been no restrictions on acreage or marketings since 1942. In relation to present and prospective requirements, the supply of fire-cured is probably as low as the supply of any other type of tobacco. Exports probably would increase if supplies were available. But over a period of years, high prices in this country would tend to discourage exports. Domestic consumption is expected to remain fairly stable because of the stability of snuff consumption.

CIGAR TOBACCO: SUPPLY AND PRICE IN THE UNITED STATES, 1920-45

U. S. DEPARTMENT OF AGRICULTURE NEG. 26055 BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 4.

Domestic demand for cigar tobacco is expected to continue strong during the next year or so and prices favorable to growers, although some price declines from the exceptionally high wartime peak, may be in prospect. Stocks and the total supply of cigar leaf are below the average for most years, and are low in relation to prospective requirements.

THE TOBACCO SITUATION

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SUMMARY

The tobacco outlook for 1946-47 is favorable, in view of the probable high level of domestic consumption of tobacco products, particularly cigarett and the favorable outlook for exports. Stocks of tobacco in the United Kingd and in other importing countries are low, and several years of above-average imports will be required to rebuild stocks to prewar ratios. United States e ports have increased substantially since the end of the war in Europe, and a high level of exports during the next two marketing seasons is in prospect, since the United States is the only country in which large quantities of toba ara available for export. While dollar exchange may be a major problem in mo foreign countries during the next few years, tobacco is such an important sou of revenue to most foreign Governments that arrangements likely will be made for its purchase. Inasmuch as about one-third of the total domestic tobacco production, including one-half of the flue-cured crop, is shipped abroad in normal times, the level of exports during the next few years will be an impor tant factor in the determination of the prices paid growers, especially for flue-cured and dark tobacco.

Although the price outlook for tobacco during 1946-47 is generally fav able to growers, some price declines below present levels may be in prospect. The situation, however, differs among the individual types. Prices this year

and last reached peak levels, and under ceiling regulations, prices for poor grades of flue-cured, Maryland and some types of cigar tobacco have been almost as high as for the better grades of leaf. In the absence of ceilings, the price spreads between high and low grades likely will be much wider than during the past two or three years.

Although domestic stocks of flue-cured and burley, the major cigarette types, are larger now than in most prewar years, they, as well as stocks of other types are below average in relation to the current rate of disappearance. Although total disappearance of tobacco during 1944-45 was the largest in history, it was exceeded slightly by production in 1945. With the record 1945 crop (now placed at more than 2 billion pounds), the supply is larger than a year ago, and with disappearance slightly below the exceptionally high level of last season, stocks probably will be slightly larger for the 1946-47 marketing season.

Over-all consumption of tobacco products in this country largely because of cigarettes is continuing at the highest level in history. Domestic consumption during the next year or so is expected to continue at or near the present high level, although some decline in cigarette production is probable because of the substantial decline in Government purchases for overseas shipment. Domestic cigar consumption during 1946-47 is expected to be above the annual average of about 5-1/2 billion consumed during the prewar years 1934-38, and smoking tobacco production will probably level off during the next few years at a level somewhat above the prewar average of around 192 million pounds. Snuff consumption is at the highest level in history, but along with chewing tobacco some decline is expected to follow the drop in employment in war plants.

The exceptionally high prices being paid for all types of tobacco this year and last may encourage farmers to increase production in 1946. In this connection the supply situation should be considered, and also, Government action with respect to marketing quotas and allotments in 1946. Flue-cured and burley

growers are operating under a 3-year production program approved in July and October 1943. Total allotments and marketing quotas for these types in 1946 will not be below those of 1945. A referendum will be held in all fire-cured areas and the Green River and One Sucker areas on October 20 to determine whether marketing quotas will be in effect on these types for the 1946 crop and also for the 3 crops beginning with 1946. Total allotments for these types will be slightly larger than the acreage allotted in 1943, the last year for which acreage allotments were established.

—October 18, 1945

PRODUCTION AND CONSUMPTION OF TOBACCO PRODUCTS

Outlook Favorable

In view of the long-term upward trend in cigarette consumption and the prospective high level of employment, prospects are for a high level of domestic consumption of tobacco products during the next two or three years. Total production of tobacco products by manufacturing establishments in this country, however, probably will decline somewhat within the next few months, because of the sharp reduction in Government purchases for shipment overseas. As indicated by sales of revenue stamps, domestic consumption of most products has increased somewhat in the past few months. This increase is attributed to (1) larger supplies of cigarettes, (2) to the return of the military personnel from abroad, and (3) to the building up of dealer inventories. It is possible that total production of tobacco products may have reached a peak. A substantial increase in domestic usage would be necessary to offset the reduction in overseas shipments. Substantial quantities of tobacco shipped abroad were not consumed by the United States military personnel, but were lost through enemy action, or diverted to other uses through barter, gifts, etc. It is believed that consumption of tobacco by the United States military, both at home and abroad, is substantially greater than consumption by this group before entering the services. Per capita consumption by this group probably is/or was higher than that of civilians of a corresponding age group.

There is a tendency for the per capita consumption of tobacco to follow the trend of industrial production, although the relationship is not as apparent as in case of some other products. Since industrial production has gone higher since 1939 than tobacco consumption, it appears that a substantial decline could take place in business activity without a corresponding drop in consumption of tobacco products,

Cigarettes

The trend in domestic consumption of cigarettes, both in total quantities and per capita, has been upward for more than four decades, and strongly upward since World War I, Each year between 1900 and 1943, except for the depression years 1931 and 1932, total consumption increased over the preceding years. Consumption in 1944 was below 1943, because of inadequate supplies. Consumption during the first 8 months of 1945 totaled about 168 billion, about the same as a

year earlier, but 46 percent above 1939.

In view of the strong upward trend, and assuming a high level of employment, consumption of cigarettes during the next two or three years may continue at a high level. However, some decline in production may occur during the next several months, as a result of reconversion and the sharp reduction in Government buying. The population of the nation is still increasing, and the popularity of cigarettes has increased during the war both at home and abroad.

Cigars

Unlike cigarettes, the trend in per capita consumption of cigars has been downward for a long time. Current consumption is running at the rate of about 36 cigars per person in this country, less than half the 1917 average. Consumption increased during the first part of the war, when the number of tax-paid cigars totaled 46 per person in 1942, the highest since 1930. Since 1942, consumption has declined both in the aggregate and on a per capita basis. Tax-paid cigars have increased somewhat in recent months. Withdrawals during July and August of 792 million were 1 percent over the same months of 1944. Domestic consumption during the 12-month period ended June 30, 1945 totaled 4.9 billion, a slight increase over a year earlier.

Total domestic consumption of cigars, as measured by sales of revenue stamps, has remained fairly stable during the past 10 years. Approximately 5.4 billion were tax-paid annually during the 5-year period 1935-39 (fiscal-year basis) compared with an average of 5.7 billion from 1940 to 1945. Owing to the prospective high level of purchasing power during the next few years, the consumption of cigars is expected to increase over recent years when the volume of production was relatively low and average price per unit high. However, consumption may be comprised of lower priced cigars to a larger extent than in recent years.

Smoking Tobacco

For many years prior to the war, the per capita consumption of smoking tobacco in this country remained remarkably stable, but the total volume produced in pounds of tobacco, increased along with the increase in population. After the outbreak of the war, however, production and consumption declined, and in 1944 reached the lowest level in almost 4 decades. Back of the decline in smoking tobacco consumption during the war the prohibition of smoking in war plants and the higher level of personal incomes with an accompanying shift in consumption to other forms of tobacco, particularly cigarettes.

Production of smoking tobacco has increased substantially in recent months and is now near the prewar (1934-38) level. Back of this rise in production was the recent shortage of cigarettes and the reduction in factory employment. Production during the first 6 months of 1945 totaled about 87 million pounds, an increase of 30 million pounds, or 52 percent over the first 6 months of 1944. Some further gain in smoking tobacco production is likely during the next few months, but production will likely level off within a few months at a level somewhat higher than that of the years just prior to the war.

Chewing Tobacco

Consumption of chewing tobacco increased during the war over the immediate prewar years, although this does not appear to represent a reversal of the downward trend which began more than a quarter of a century ago. Consumption, as

measured by sale of revenue stamps, reached an all-time peak of 268 million pounds during World War I, and in 1918 began a downward trend which continued, with minor interruptions, until World War II. Only 100 million pounds were withdrawn in 1940. Despite the 20 percent increase in consumption which occurred during the war, the estimated consumption in 1944 of 119 million pounds was slightly below the depression year 1932, when the wage income of industrial workers was at a critically low level. The total volume of chewing tobacco manufactured in somewhat greater than the estimates of tax-paid-with-drawals, because the latter do not include shipments to the armed forces overseas. Back of the increase in production during the war was the increase in domestic demand resulting from the prohibition of smoking in war plants and the relatively large military purchases for overseas shipments.

Although little data are available, it appears that production and consumption of chewing tobacco have declined since the end of the war, a reflection of a decrease in employment in war plants and a cut in military purchases. Production during July, the latest month for which figures are available, totaled 10 million pounds, a decline of 4 percent from June 1945, but 2 percent above July 1944. That the downward trend was continuing during August is indicated by the Internal Revenue figures on tax-paid withdrawals of chewing and smoking tobacco combined.

Snuff

Per capita consumption of snuff has remained remarkably stable over a long period of time, but the total volume produced prior to the war tended to increase along with the increase in population. Domestic production reached an all-time peak during the calendar year 1943, when 43,180,000 pounds were produced. Tax-paid withdrawals during the 12-month period ended June 30, 1945, totaled 43,004,000 pounds. Consumption was continuing near the wartime peak at the end of August 1945, the latest month for which data are available. In view of the stability of snuff consumption in prewar years, and assuming a reasonably high level of employment, a level of consumption during 1946-47 somewhat larger than in prewar years can be expected.

FLUE-CURED, TYPES 11-14

The outlook for flue-cured tobacco during the next 2 or 3 years appears reasonably favorable to growers, because of the continued strong demand for the leaf by domestic cigarette manufactures and the prospective high level of exports. Stocks in the United Kingdom and in other importing countries are low, and the United States is probably the only country in which large quantities are available for export. Although foreign production is likely to increase it may be several years before foreign stocks are built up to prewar ratios. Although stocks in this country on July 1 were smallest for that date since the entrance of this country into the war, it is believed that production in 1946 and 1947 as high as in 1944 and 1945 will enable this country to meet domestic and foreign demand without imparing stocks. Prices of most grades of flue-cured advanced sharply during the war, and under ceiling price regulations many grades of inferior tobacco sold about as high as the better grades. Without price control, it seems reasonable to assume that during the next few years growers should place more emphasis upon the production of higher quality tobacco and upon better curing and handling.

Record Crop Indicated

October 1 crop prospects point to the largest crop of flue-cured ever produced, exceeding the previous record crop by about 30 million pounds. The 1945 crop is now placed at 1,201 million pounds, compared with 1,089 million last year and 1,171 in 1939. The indicated increase this year over last is the result of both a larger acreage and a higher yield per acre in the flue-cured areas as a whole. Only in Florida is the 1945 yield below 1944.

Although the increase in production is general for all types, it is especially pronounced for types 11 and 12, the 1945 crop of which is estimated at 832 million pounds, compared with 757 last season. Following one of the earliest springs in many years, drought conditions prevailed over much of the flue-cured belt during June. After that time, with favorable weather, prospective yields have improved as the season has progressed. Conditions during September were particularly favorable for the late plantings in the Old and Middle Belts, where the crop matures later than in other belts.

Sales of Types 13 and 14 Completed;
Types 11 and 12 Now Selling

Sales of types 14 in the Georgia-Florida area began July 24 and all markets were closed for the season by September 5. The season was characterized by exceptionally strong demand for the leaf and narrow price range between the best and porest grades. At the end of the season, producer sales of type 14 totaled about 130 million pounds at an average price of 39.3 cents per pound, compared with 36 cents in 1944. The increase in the price of type 14 this season over last is attributed to the 1945 price regulation which made it practicable for buyers to pay more for type 14. Last year, when there were two separate price ceilings on flue-cured tobacco, one for tied tobacco and one for untied, growers of type 14 received an average of about 36 cents per pound, 3 cents below the established ceiling, and about 7 cents below the average for the flue-cured belt as a whole. It now appears that the price spread between tied and untied tobacco this season will be between 3 and 4 cents per pound, about the average for recent years.

South Carolina and Border Belt North Carolina (type 13) markets opened August 1, with a strong demand for leaf of all qualities. When the markets closed for the season October 5, producers' sales totaled approximately 275 million pounds at an average of 43.7 cents per pound, compared with last season's average of about 42.7 cents per pound. Partly as a result of considerable offerings of damaged and wet tobacco, some general weakness in prices of lower grades appeared during the latter part of the season. During the third week of sales of type 11b, prices of lower grades dropped sharply, and brought the average for the first 3 weeks down to 41 cents per pound, compared with last season's average of 43.3 cents for type 11b. Although there were price declines in several of the leaf grades, the decline in the general average is largely attributable to the decline in price for nondescript and other grades of lower quality leaf.

Prices during the first week of sales on the Old Belt markets of North Carolina and Virginia (type 11a) averaged about 42 cents per pound, about the same as the opening week last year. During the second week of sales, however, considerable weakness developed in the prices of lower grades. This weakness continued during the third week when prices of common red and green leaf dropped from 1 to 7 cents below the preceding week. Many grades were selling from 8 to 15 cents per pound below the opening week. But demand for better grades remained strong

at prices near those of the opening week, Season's sale through October 5 were about 70 million pounds at an average of 40.9 cents per pound, compared with 40.7 during the corresponding period last year.

Allocations Increased Because of Prospects For Larger Crops

For the third consecutive season, flue-cured tobacco has been allocated as to foreign and domestic uses. This action by the Department of Agriculture in allocating the 1945 crop is designed to insure a fair distribution of the crop among the various buying interests, both domestic and foreign. Ths order of July 19, was based on the July 1 estimated production of 1,091 million pounds. Of this quantity, 666 million pounds were allocated for domestic use, 395 million for export and 30 million for later dispositions.

An amendment to this order, effective September 19, increased allocations to domestic manufacturers and dealers by about 40 million pounds, while export allocations for purchase by CCC remained unchanged. The amendment increased the amount manufacturers were allowed to purchase from the 1945 crop from 98 per cent as in the original order, to 105.5 percent of the quantity used by them for manufacturing purposes during the 12 months ended June 30, 1945. Manufacturers' purchases on auction floors or from dealers are limited under the order to the same proportion of their total purchases as was acquired from the crops of 1939-42 inclusive. Dealers are permitted under the amendment to purchase up to 125 percent (instead of 95 percent in the July order) of the basic quantity which they were permitted to buy from the 1944 crop.

1945 Supply Larger: Disappearance At Peak Level

The supply of flue-cured tobacco available in 1945-46 is now placed at 2,328 million pounds, about 49 million pounds more than a year earlier, and the largest during the 32 years of record. The large 1945 crop, which is now entering stocks, was more than sufficient to offset the decline in stocks, as of July 1, 1945.

Manufacturers' and dealers' stocks of flue-cured were reduced still further last season, and on July 1 were at the lowest level since the beginning of the war, when cigarette production was only about three-fifths of what it is today.

It is expected that Government acquisitions of flue-cured for export from the 1945 crop may approach 350 million pounds. Only a small quantity of 1944 and previous crops was on hand at the beginning of the present marketing season. It is believed that by the beginning of the next marketing season all foreign shipments will be made through private exporters as in prewar years. Inasmuch as foreign stocks are low, total exports of flue-cured are expected to be at least as large as 1944-45.

Disappearance of flue-cured (domestic consumption and exports) reached an all-time peak of more than 1,152 million pounds during the 12 months ended June 30, 1945. With a decline in domestic consumption in prospect, and with the large supply at the beginning of the season, disappearance of flue-cured in 1945-46 may be somewhat less than 1944-45. Stocks on July 1, 1946 maybe somewhat above the level of July 1, 1945.

In view of the high prices being paid for flue-cured, it appears probable that growers will plant another large acreage in 1946. With marketing quotas continued, the 1946 acreage allotments will be at least as large as in 1945, and even without additional labor, growers will have a strong incentive to plant their allotments in full. In view of the favorable demand factors, and inasmuch as the supply situation appears to be reasonably favorable to growers, a 1946 crop of flue-cured at least as large as that produced in 1945 is desirable. But growers should not lose sight of the fact that the prices spreads between the poorer and better grades of tobacco may be much greater than during the past 2 or 3 years.

Table 1.-Flue-cured tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1939-45 1/

Year	Production	Stocks July 1	Total Supply	Disappearance year beginning July 1	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1934-38	741.0	844.9	1,585.9	704.3	22.9
1939	1,170.9	946.3	2,117.2	707.5	14.9
1940	759.9	1,409.7	2,169.6	576.7	16.4
1941	649.5	1,592.9	2,242.4	783.0	28.1
1942	811.7	1,459.5	2,271.2	892.4	38.4
1943	790.2	1,378.8	2,169.0	980.2	40.2
1944 2/	1,089.8	1,188.8	2,278.6	1,152.3	42.4
1945 2/	1,201.4	1,126.3	2,327.7		3/42.5

1/Farm-sales weight. 2/ Preliminary. 3/ Estimated.

BURLEY TYPE 31

Outlook Less Favorable Than a Year Ago

In view of the continued strong demand for cigarettes in this country and the increase in smoking tobacco production, the outlook for burley tobacco is reasonably favorable. But the supply-demand situation is probably less favorable than a year ago, because of the substantial increase in the supply. Domestic consumption of burley may be relatively large again this season. In view of the low level of stocks of cigarette tobacco in foreign countries, exports may increase somewhat over present levels.

As in case of flue-cured, it is likely that a 1946 crop of burley as large as the 1945 crop could be sold at prices higher than in prewar years, especially if the crop contained a large percentage of high quality tobacco. But in view of the exceptionally large supply, any further increase in burley production at this time appears undesirable. Since very little burley is exported, the outlook for exports will not affect this type to any great extent, and therefore any decline in domestic consumption would have a greater effect on burley tobacco than on flue-cured.

Another Large Crop
Indicated, But Below 1944

Unlike flue-cured, conditions in the burley growing area improved only slightly during September. The 1945 crop of burley, as of October 1, is placed at 576 million pounds, compared with 570 million on September 1, and with the record 592-million pound crop grown in 1944. The smaller crop indicated this year is altogether the result of decreased yields, as the acreage devoted to burley is larger than last year when record yields were obtained in all major areas. Lower yields this year are particularly marked in Kentucky, the major producing area, where indicated yields are 125 pounds per acre below 1944. As of July 1, the acreage is placed at 529,600, compared with 500,100 last year, and with a marketing quota allotment of 607,300 acres.

Allotments in 1946 May Be About
The Same as in 1945;
Goals Lower

Like flue-cured, burley tobacco is under the 3-year production control program approved by growers in October 1943. With the continuance of marketing quotas, acreage allotments in 1946 are expected to be about the same as 1945. However, with yields equivalent to the past two years, as large an acreage in 1946 would result in an increase in stocks for the third successive year.

Indicated Supply at
Record Level;
Stocks Higher

The 1945-46 season supply of burley is placed at about 1,334 million pounds - 113 million pounds above a year earlier, and the largest October 1 supply during the 33 years of record. The increase in the 1945 supply is the result of both the large 1945 crop and the large carry-over from last year. Stocks on October 1, 1945 totaled 758 million pounds - 108 million above the same date of 1944.

Disappearance during the 12-months ended September 30, 1945, is estimated at about 485 million pounds, an increase of 59 million pounds from the preceding 12 months and the largest for any like period on record. Although some of the increase may be attributed to larger than usual losses in drying operations, a substantial increase in domestic use of this type is indicated. Despite the increased disappearance of burley, it has been exceeded by production during the past two years, by about 257 million pounds.

Table 2.- Burley tobacco: Domestic supplies, disappearance and season average price, average 1934-38, annual 1934-45 1/

Year	Production	Stocks October 1	Total Supply	Disappearance & year beginning October 1	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1934-38	287.2	700.9	988.1	314.5	22.2
1939	395.4	684.1	1,078.5	317.2	17.3
1940	375.3	762.3	1,137.6	339.6	16.2
1941	336.8	798.1	1,134.9	379.6	29.2
1942	343.5	755.3	1,098.8	412.8	41.8
1943	391.4	686.0	1,077.4	426.2	45.6
1944 2/	591.8	651.2	1,243.0	3/485.0	44.0
1945	2/576.3	3/758.0	3/1,334.3		

1/ Farm-sales weight. 2/ Preliminary. 3/ Estimated.

MARYLAND, TYPE 32

1945 Crop One-third Smaller Than 1944

Because of heavy rains, the conditions of the Maryland crop declined sharply during August, and October 1 indications point to a 1945 crop of only 23 million pounds, almost one-third less than the 1944 crop just sold. The average yield per acre is estimated at 600 pounds, compared with 800 pounds last year. The acreage as of July 1 is 38,500 compared with 40,200 last year.

1944 Crop Sold at Near Record Prices

Through August 31, net sales of the 1944 crop of Maryland tobacco on the auction markets, totaled approximately 34 million pounds, at an average price of 55.5 cents per pound. With auction markets closed for the season and only a small quantity of leaf left to be sold on the Baltimore market, it appears that the season average price may be about 1 cent per pound below the record high price paid for the 1942 crop. Throughout the season, many grades of Maryland have sold at or near the 57-cent ceiling. Cash returns to growers this year will be the largest ever received for this type, above 21 million dollars, compared with previous high of 16 million dollars for the 1942 crop.

Supply Expected to be Smaller in 1946

Compared with a year earlier, the supply of Maryland tobacco is expected to show a decline on January 1, 1946. Disappearance, largely through domestic consumption, is running somewhat above the level of a year ago, and for the calendar year 1945 may total about 30 million pounds. Domestic usage

probably would be considerably larger, if supplies were available. The decline in the supply for 1946 is attributed to the short 1945 crop, inasmuch as stocks as of January 1, 1946, are expected to show an increase.

There has been no material change this year in the export situation for Maryland tobacco. Exports are at low level, and it is not likely that they will increase to any great extent in the near future, even if supplies are available. The trend in exports of Maryland tobacco has been downward for a long time. In 1926, exports of Maryland leaf amounted to more than 20 million pounds, or 80 percent of that year's crop. In 1944, less than 2 million pounds or about 8 percent of the crop was exported. During the first 7 months of 1945, exports totaled 1.3 million pounds, about the same as during the same period of 1940. The long-term decline in exports of Maryland tobacco has been offset by corresponding increases in domestic consumption. The leaf is now used primarily in cigarettes, but consumption of Maryland tobacco has not increased in proportion to the rise in consumption of cigarettes.

Price Outlook Favorable

Because of its increased popularity in cigarette manufacturing, the tendency for production to remain stable, and the short indicated 1946 supply of the leaf, the outlook for Maryland tobacco is bright. Prices have advanced sharply since 1938, and during the war have gone relatively higher than either flue-cured or burley. Since consumption of cigarettes is expected to continue at a relatively high level, the demand for Maryland tobacco may remain strong, and from the long-time viewpoint, as well as from the standpoint of the present supply and demand conditions, a considerable expansion in acreage and production seems desirable. But further indreases in production of Maryland leaf may depend upon the availability of labor and the price of Maryland tobacco in relation to prices of other crops grown on the same farms.

Table 3.-Maryland tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1939-45 1/

Year	Production	Stocks January 1 of following year	Total Supply	Disappearance year beginning Jan. 1 of following yr.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1934-38	27.5	38.4	65.9	27.5	19.7
1939	32.8	36.3	69.1	25.9	21.1
1940	32.6	43.2	75.8	30.8	33.0
1941	31.2	45.0	76.2	28.5	30.1
1942	28.1	47.7	75.8	32.0	56.5
1943	20.8	43.8	64.6	27.0	45.3
1944 2/	32.2	37.6	69.8	3/30.0	55.5
1945	2/23.1	3/39.8	3/62.9		

1/ Farm-sale weight.
2/ Preliminary.
3/ Estimated.

DARK TOBACCO

(Fire-cured, types 21-24, and dark air-cured, types 35-37)

Conditions of Crops Improve in August; 1945 Crops Below 1944

As a result of more favorable weather, the prospects for the 1945 crops of fire-cured and dark air-cured tobacco improved somewhat during August. However, the crop is expected to be below 1944, and the second smallest on record. Production of all dark types is placed at 102 million pounds, 6 percent below 1944 and more than one-third less than the average for the 5-year period 1934-38. The expected decline from 1944 is the result of lower per acre yields, inasmuch as the acreage is about the same as last year.

The indicated 1945 fire-cured production, as of October 1, is almost 59 million pounds, 5.5 million below 1944. This would be only about one-half the 1934-38 average production of fire-cured, and the smallest crop on record. The decline this year, compared with last, is the result of both a decline in planted acreage and in per acre yields. The 1945 crop of Virginia fire-cured is placed at 14,440,000 pounds, up 285,000 from 1944. This is the only fire-cured type to show an increase over last year.

In contrast to fire-cured, production of dark air-cured during the war averaged somewhat above the 1934-38 average. This season's production is expected to reach 44 million pounds, a slight decrease from last year but 23 percent above 1934-38. Production of One Sucker (type 35) is placed at 25 million pounds, about the same as last year. The 1945 crop of Green River (type 36) is expected to reach 15-1/2 million pounds, compared with 16-1/2 million pounds in 1944 and with a record low of 11 million in 1943. This year's production of Virginia sun-cured (type 37) is expected to be a little below last year's total of 3,100,000 pounds. The acreages of these types as of July 1 are larger than last season, but the yields are down substantially.

Fire-Cured Stocks and Total Supply Below Last Year; Exports Larger

It is estimated that stocks of fire-cured tobacco on October 1, 1945, totaled about 145 million pounds, 28-1/2 million below a year earlier, and about 49 million below the prewar (1934-38) average of 194 million pounds. This reduction is largely the result of the sharp increase in exports which occurred after the end of the war in Europe. The indicated 1945-46 supply of fire-cured, at 204 million pounds, is 35 million below last season and almost one-third less than the 1934-38 average of 304 million pounds. Disappearance last season totaled about 93 million pounds. This was substantially above 1943-44, but below the prewar (1934-38) average. Exports last season totaled about 45 million pounds, compared with 17 during the preceding 12 months. Domestic consumption, however, declined slightly.

Dark Air-cured Stocks And Supplies Larger

October 1 stocks of dark air-cured tobacco are placed at 60 million pounds, about 2 million above October 1, 1944, and 3 million below the 1934-38 average.

The increase in stocks for October 1 will offset the decline in the 1945 crop and will result in a slightly larger supply for the 1945-46 season. Disappearance last season was above 1943-44 by about 5 million pounds.

Outlook Generally Favorable

In view of the strong demand for dark tobacco during the past 3 or 4 years and the relatively stable domestic consumption of snuff and chewing tobacco, the outlook for the dark types during the next year or two appears favorable. The low level of production in recent years and the increased domestic consumption of tobacco products during the war (including nicotine diversion) have combined to bring supplies, in relation to requirements, to the lowest level in many years.

For a long time prior to the war, the trend in demand for dark tobacco produced in this country was downward, largely because of the decline in exports. During the years immediately preceding the war, an average of 80 million pounds were exported annually. This was less than half the volume of the 1920's. Exports during the war were reduced still further, and the annual volume dropped to 26 million pounds. During the 1944-45 season, however, exports totaled almost 50 million pounds. A substantial part of this total was shipped after VE-Day when ships became available, and consisted of leaf which had been purchased by foreign Governments during the past several years and stored in this country. Inasmuch as stocks in importing countries are low, exports during the 1945-46 season may be substantial if tobacco is available. Production in most European and Far Eastern countries was reduced during the war, and it is likely that production of tobacco will be encouraged.

Table 4.- Dark Tobaccos: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1939-45 1/

Year	Production	Stocks October 1	Total supply	Disappearance year beginning October 1	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
			TOTAL ALL DARK TOBACCO		
Fire-cured types 21-24, and dark air-cured, types 35-37					
Average 1934-38	145.7	257.0	402.7	162.0	10.0
1939	143.6	192.3	335.9	128.7	9.5
1940	150.1	207.2	357.3	99.7	9.0
1941	101.2	258.3	359.6	111.0	13.4
1942	106.7	248.6	355.3	110.2	16.4
1943	94.8	245.1	339.9	108.7	24.6
1944 2/	108.6	231.2	339.8	3/134.8	24.0
1945	2/102.3	3/205.0	3/307.3		
			Fire-cured		
Total types 21-24					
Average 1934-38	110.2	194.2	304.4	123.0	10.2
1939	99.4	136.2	235.5	93.9	10.6
1940	107.6	141.6	249.2	65.3	9.5
1941	69.7	183.9	253.6	69.0	14.1
1942	71.5	184.6	256.1	76.3	17.1
1943	64.8	179.8	244.6	71.1	23.4
1944 2/	64.1	173.5	237.6	3/ 92.6	24.5
1945	2/ 58.7	3/145.0	3/203.7		
			Dark air-cured		
Total types 35-37					
Average 1934-38	35.5	62.8	98.3	39.0	9.4
1939	44.2	56.1	100.3	34.7	7.3
1940	42.5	65.6	108.1	33.7	7.7
1941	31.5	74.4	106.0	42.0	12.0
1942	35.2	64.0	99.2	34.0	15.2
1943	30.0	65.3	95.3	37.6	27.2
1944 2/	44.5	57.7	102.2	3/ 42.2	23.2
1945	2/ 43.6	3/ 60.0	3/103.6		

1/ Farm-sales weight.
2/ Preliminary.
3/ Estimated.

CIGAR TOBACCO, TYPES 41-62

Larger 1945 Crop Result of Increase in Wisconsin Binder Types 54 and 55

Growing conditions improved during August and September, and as of October 1, the 1945 crop of cigar tobacco is indicated at 134 million pounds, about 6 million pounds more than the 123-million-pound crop grown in 1944, and 35 million above the 1934-38 average production. Of the three classes, cigar filler groups show decreases of 1,400,000 pounds and wrapper groups 102,000 pounds, whereas the combined binder types show an increase of over 7,000,000 pounds. The large increases in 1945 binder tobacco this year over last is attributable to a substantial increase in acreage of types 54 and 55 in Wisconsin. The 1945 crop of Miami Valley (types 42-44) at 5,940,000 pounds, is almost 1 million pounds below 1944, is 9 million pounds below the 1934-38 average, and is the smallest crop of these types on record. Among the wrapper types, a slight increase from last year is indicated for Connecticut Valley shade-grown (type 61), and a decrease of 293,000 pounds is shown for Georgia-Florida shade-grown (type 62).

1945 Acreage Increased; Yields Lower

The acreage devoted to cigar tobacco in 1945, as of July 1, was approximately 7 percent above the 1944 harvested acreage. For individual classes, filler types were up 3 percent, binder 13 percent and wrapper 7 percent. The total of 93,100 acres for all types combined was about 7,200 acres greater than the 1934-43 average. Slightly lower yields prevailed in all important producing areas except Georgia and Florida (type 56). The October 1 indicated average yield of 1,435 pounds for all cigar types is slightly below 1944 but not greatly different from the average of the past several years.

Stocks and Supplies Lower

It is estimated that stocks of domestic cigar tobacco on October 1, 1945, totaled about 257 million pounds -11 million below October 1, 1944, and 78 mil- pounds below the average for the prewar years 1934-38.

The indicated 1945-46 season's supply of 390 million pounds is slightly below 1944-45, inasmuch as the 1945 crop was not sufficient to offset the decrease in stocks. The indicated filler supply is about 7 million pounds less than a year earlier, and binder is about the same. The indicated decline in filler tobacco is largely the result of the decline in stocks of Miami Valley types 42-44. Wrapper supplies were about the same as last year. There was an increase this year over last in the total supply of Connecticut Valley shade-grown (type 61), but a slight decline in Georgia-Florida shade-grown.

Since 1941 for cigar binder and 1942 for cigar filler, disappearance has been greater than production, and present supplies are lower in relation to probable requirements than in most prewar years. In relation to prospective usage, the supply of binder tobacco is lower than the supply of filler tobacco. On the other hand, the supply of wrapper tobacco has increased.

Domestic Consumption Expected To Continue At About Present Levels

Consumption of domestic cigar tobacco during 1945-46 is expected to continue at about the 1944-45 level. Disappearance last season was about 139 million pounds of domestic leaf, which was above the prewar 1934-38 average. Manufacturers have experienced considerable difficulties in expanding production of cigars during the war and if the labor situation improves and more lower-priced cigars become available to consumers generally, domestic consumption of cigars may increase. But any increase which might occur in domestic consumption may be offset by decreased Government purchases for shipment overseas.

Foreign-Grown Stocks Lower; Imports From Far East Not Expected Soon

Stocks of foreign-grown cigar tobacco held by manufacturers and dealers i this country on July 1, 1945 totaled about 26,359,000 pounds, a decline of 471,000 pounds from July 1, 1944. Of this total, about 23,369,000 pounds or 89 percent were Cuban. Sumatra stocks were reduced still further during the year, while Philippine stocks in this country are practically exhausted. Holdi on July 1, 1945, amounted to 53,000 pounds, compared with 185,000 a year earlie

Imports of tobacco from the Philippines, Java, and Sumatra, which were c off by the war in the Pacific, may not be resumed in the near future. Those areas have been reoccupied by Allied military forces, but according to the best information available, tobacco production declined to a low level during Japane occupation and several years may be required to get the plantations back into tobacco production.

Table 5.- Cigar tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1939-45. 1/

Year	Production	Stocks Oct. 1 2/	Total Supply	Disappearance year beginning October 1 2/	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1934-38	3/ 99.2	335.7	434.9	123.8	17.1
1939	137.7	269.4	407.1	108.4	18.6
1940	144.0	297.5	441.5	136.1	17.4
1941	143.1	305.4	448.5	131.3	20.4
1942	118.5	317.2	435.7	143.2	25.8
1943	108.8	292.5	401.3	133.1	37.3
1944 4/	127.7	268.2	395.9	5/139.3	37.3
1945	4/133.6	5/256.6	5/390.2		

1/ Farm-sales weight.
2/ Stocks and disappearance for types 45 (56) and 62 are as of July 1.
3/ Production was unusually low during this period.
4/ Preliminary.
5/ Estimated.

Table 6.- Cigar tobaccos: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1939-45 1/

Type and year	Production	Stocks October 1 2/	Total supply	Disappearance year beginning October 1	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Total filler types 41-44					
Average 1934-38	48.2	158.8	207.0	53.8	10.5
1939	62.3	139.5	201.8	53.2	11.6
1940	66.5	148.6	215.1	58.1	11.9
1941	71.5	157.0	228.5	61.8	12.4
1942	53.7	166.7	220.4	66.8	13.2
1943	47.4	153.6	201.0	55.7	18.6
1944 3/	59.3	145.4	204.7	4/64.7	19.5
1945	3/ 57.9	4/140.0	4/197.9		
Total binder, types 51-56					
Average 1934-38	41.8	165.1	206.9	60.5	12.4
1939	63.2	116.6	179.8	45.0	16.6
1940	68.0	136.0	204.0	67.3	14.5
1941	61.5	136.7	198.2	60.4	16.9
1942	55.6	137.8	193.4	66.8	20.3
1943	51.4	126.6	178.0	69.4	30.3
1944 3/	57.2	108.6	165.8	4/63.8	30.9
1945	3/ 64.6	4/102.0	4/166.6		
Total wrapper, types 61-62					
Average 1934-38	8.4	10.7	19.1	8.9	78.3
1939	11.4	10.8	22.2	9.3	67.7
1940	9.5	12.9	22.4	10.7	75.8
1941	10.1	11.7	21.8	9.1	98.4
1942	9.2	12.7	21.9	9.6	132.1
1943	10.0	12.3	22.3	8.1	168.0
1944 3/	11.2	14.2	25.4	4/10.8	164.0
1945	3/ 11.1	4/14.6	4/25.7		

1/ Farm-sales weight.
2/ Stocks for types 56 and 62 are as of July 1.
3/ Preliminary.
4/ Estimated.

Table 7.- Tax-paid withdrawals of tobacco products in the United States, calendar years 1943 and 1944, and fiscal years 1943-44 and 1944-45 1/

Products	Calendar year			Fiscal year		
	1943	1944	Change	1943-44	1944-45	Change
	Millions	Millions	Percent	Millions	Millions	Percent
Small cigarettes	257,741	239,285	- 7.2	258,272	238,938	- 7.5
Large cigarettes	6	27	2/+361.8	10	83	2/+698.3
Large cigars	5,228	4,786	- 8.5	4,878	4,893	+ .3
Small cigars	128	140	+ 9.4	143	112	- 21.7
Snuff 3/	43,180	42,035	- 2.7	42,731	43,004	+ .6
Manufactured tobacco 3/	262,456	251,783	- 4.1	250,412	275,383	+ 10.0

1/ Tax-paid withdrawals include products from Philippine Islands and Puerto Rico. After January 1942 tax-paid withdrawals from Philippine Islands are not included.
2/ Based on actual, not rounded figures.
3/ Thousand pounds.

Table 8.- Production of manufactured tobacco in the United States, calendar years 1943 and 1944, and fiscal years 1943-44 and 1944-45

Manufactured tobacco	Calendar year			Fiscal year		
	1943	1944	Change	1943-44	1944-45	Change
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	1,000 pounds	Percent
Smoking	162,209	139,874	- 13.8	142.201	168,913	+ 18.8
Plug	59,001	61,656	+ 4.5	60,930	61,222	+ .5
Twist	6,327	6,467	+ 2.2	6,309	6,782	+ 7.5
Fine-cut	4,534	4,094	- 9.7	4,301	4,067	- 5.4
Scrap chewing	51,796	52,883	+ 2.1	52,881	53,857	+ 1.8
Snuff	43,179	41,960	- 2.8	42,453	43,654	+ 2.8

Table 9.- Tobacco: Average yield per acre by types, United States, 1920-1945

Year	Flue cured types 11-14	Burley type 31	Maryland type 32	Fire-cured Type 21	Fire-cured Type 22	Fire-cured Type 23	Fire-cured Type 24	Dark air-cured Type 35	Dark air-cured Type 36	Dark air-cured Type 37	All cigar types 41-62
	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.
Av. 1920-24	639	824	783	731	781	805	855	826	856	726	1,175
1920	678	789	875	780	766	780	820	819	796	755	1,250
1921	537	754	715	611	795	828	855	843	881	579	1,277
1922	630	857	770	811	763	810	893	859	893	770	1,118
1923	722	872	792	795	785	810	880	827	880	775	1,182
1924	580	849	765	660	798	795	825	782	830	750	1,048
Av. 1925-29	698	798	778	761	784	780	783	808	778	784	1,192
1925	689	806	823	751	767	776	775	806	850	795	1,270
1926	699	832	840	793	810	799	896	905	851	802	1,173
1927	750	731	818	800	749	748	646	722	649	821	1,152
1928	660	816	660	703	753	739	750	760	700	692	1,182
1929	691	807	750	760	842	840	850	850	840	810	1,182
Av. 1930-34	733	782	677	720	812	759	787	811	824	660	1,197
1930	756	740	560	615	757	700	745	784	785	585	1,170
1931	684	845	730	765	812	804	800	795	880	650	1,228
1932	605	740	775	640	794	779	775	799	825	545	1,142
1933	797	753	600	760	801	657	740	783	740	720	1,122
1934	822	831	720	820	895	856	875	893	890	800	1,322
Av. 1935-39	876	839	769	810	814	796	829	844	838	844	1,308
1935	928	794	775	870	821	795	840	839	845	900	1,330
1936	790	729	820	770	805	761	730	735	700	780	1,385
1937	875	907	650	790	846	817	850	920	900	785	1,257
1938	866	833	780	710	726	784	875	800	870	780	1,204
1939	922	931	820	910	872	824	850	925	875	975	1,365
Av. 1940-44 1/	993	1,035	751	891	977	948	900	1,023	986	877	1,394
1940	1,025	1,042	850	835	925	884	850	927	875	925	1,380
1941	905	987	775	895	950	929	900	978	975	850	1,438
1942	1,024	981	740	975	995	962	900	1,064	1,030	900	1,328
1943	938	981	590	800	979	959	900	1,019	950	780	1,351
1944 1/	1,074	1,183	800	950	1,036	1,008	950	1,129	1,100	930	1,473
1945 1/	1,137	1,088	600	950	1,000	944	925	996	1,025	860	1,435

1/ Preliminary.

Compiled, 1920-28, from First Annual Report on Tobacco Statistics: 1929-40, Annual Report on Tobacco Statistics, 1942; 1941-1945 from reports of the Bureau of Agricultural Economics, Crop Reporting Board.

Table 10- Index numbers of production of tobacco products in the United States, 1919-44 and January to June 1945

(1935-39 = 100)

Year	Cigarettes	Cigars	Manufactured	Total
1919	29	143	124	72
1920	28	162	116	75
1921	32	140	113	74
1922	34	142	123	77
1923	41	141	121	84
1924	45	135	121	83
1925	51	131	120	85
1926	57	132	120	88
1927	62	132	115	90
1928	67	129	112	92
1929	76	131	110	96
1930	76	118	108	93
1931	72	106	107	87
1932	66	89	102	79
1933	71	86	100	80
1934	80	91	101	87
1935	86	93	100	90
1936	97	101	102	99
1937	103	104	99	103
1938	104	100	100	102
1939	110	103	100	106
1940	115	103	100	109
1941	131	112	99	120
1942	150	119	94	131
1943	164	99	89	133
1944	152	92	86	125
1945 1/				
Jan.	147	85	93	121
Feb.	136	95	94	118
Mar.	137	93	91	117
Apr.	133	91	90	115
May	156	92	95	128
June	186	93	92	145

1/ Unadjusted.

Compiled from Federal Reserve Bulletin.

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